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WORKING PAPER

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THE ROLE OF INTERNATIONAL INSTITUTION
IN MNC-HOST COUNTRY RELATIONS

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Abstract: Strategic interdependence of MNCs and governments has been examined in numerous studies. One of the best known models of MNC-Host country relationship was introduced several decades ago and called the bargaining power model. This model was revisited by scholars who applied it to different contexts. We aim to elaborate the bargaining power model applying it to emerging market MNC –emerging host country bargaining and to reveal the role of international institutions in this model. We use critical discourse analysis which allow us to identify several media discourses.

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The role of international institutions in MNC – host country relations

1. Introduction

Recently a wider range of political strategies used by MNEs to influence host government decision-making raised a sufficient interest from international business and political economy scholars (Akbar & Kisilowski, 2015; Doh, Lawton, & Rajwani, 2012; Hillman & Wan, 2005; Li et al, 2013). It is argued that such strategies have particular importance for MNEs from emerging economies as state in these countries traditionally plays a significant role in business affairs. MNEs invest in their political capabilities to bargain with the authorities not only to approach their interest in host countries (Holburn & Zelner, 2010), but also to reap home government support for their outward investments (Li et al, 2013b; Wang, Hong, Kafouros & Wright, 2012a).

Strategic interdependence between MNCs and governments (Dunning, 1988; Stopford, 1994) has been subject of research interest for a long time. It contains both bargaining and collaborating mechanisms, with both competitive and collaborative aims vis-a-vis each other in resource sharing process (Luo, 2004). MNCs and governments depend on each other's resources and supports but meanwhile they encounter conflicts arising from different goals and an absence of mechanisms mitigating possible opportunism. Economic and social goals pursued by governments and MNCs do not always coincide (Daniels et al, 2004). Some authors state that FDI rules and policies are likely to move in a direction desired by the party who holds a dominant bargaining position (Boddewyn and Brewer, 1994).

The "accepted paradigm of host country – multinational corporation (MNC) relations in international political economy" (Kobrin, 1987: 610) was called the bargaining power model. In classical bargaining model the deal between MNC and host government reflects the need for and scarcity of the resources proposed by two parties as well as their bargaining skills (Fagre and JR, 1982).

Three important aspects should be considered speaking about the bargaining power model. First, the existence of different bases of power, which usually vary among actors. Second, causal relationship between each actor's resources and constraints and bargaining outcomes. And third is dynamic nature of bargaining. The third aspect is presented by obsolescing bargaining (OB) model (Vernon, 1971).

Eden and Molot (2002) argue that the OB model has outlived its usefulness, however it might be revitalized and still used for understanding bargaining process and outcomes. Moreover scholars call for more studies examining the role of international institutions in the bargaining power model (Ramamurti, 2001; Boddewyn, 2016). By this study we aim to revisit the OB model applying it to the context of two emerging markets bargaining and reveal its dynamic nature and the role of home government and supranational institutions. Thus we pose following research questions: **How does bargaining between emerging market MNC and emerging host country change over time? What are driving forces of this change?**

In order to answer these research question we explore the bargaining process between Russian MNC (Rusal) and Montenegro host country who owns the aluminium smelter company. Kombinat Aluminijuma Podgorica - KAP (English: Aluminium Plant Podgorica) is an aluminium smelter company, located on the southern outskirts of Podgorica, Montenegro. It was built during the communist FR Yugoslavia, and sold in 2005 to world's second largest aluminum company – Moscow based firm Rusal. The investment has run into many problems since, and the ownership of stakes in company is currently disputed between Rusal, Montenegrin government, and new owners of the company that had acquired it in 2014.

Critical discursive approach (Fairclough, 2003; Phillips and Hardy, 2002) allows researchers to focus on issues which easily pass unnoticed in more conventional analysis (Balogun, Jarzabkowski and Vaara, 2011). Especially this method enables better understanding

of the complex ways in which discourse is used to form government MNE relationships, how specific rhetorical arguments are used (Balogun, Jarzabkowski and Vaara, 2011)

We aim to analyze media discourses around Montenegro and Russian MNC in both countries in order to reveal the dynamic of MNC-host country relationship and to contribute to the theoretical development of the bargaining power model.

Our study suggests that speaking about emerging economies relationship on the level MNC – host country one should consider the role of home country and its bargaining power first of all. Moreover with a time and evolution of bargaining such important player as supra-national institution (in this case it is EU) steps in and modifies the power balance. We also suggest to add existing bargaining model with two constituents: relative stake and relative future benefits, and to consider bargaining power of both sides accounting these dimensions.

We proceed with the study by following way: first, we introduce the bargaining power theory paying particular attention to obsolescing bargain model and its extensions in the literature. Then we continue with methodology section describing in detail the discourse analysis method and how we apply it for our study. Finally we introduce our findings and discuss them, presenting the modified OB model. At the end we outline the limitations and suggest future research directions.

2. Theoretical approaches to MNC-host government relations

Political economy perspective

Political economy perspective suggests that MNCs and governments both rival each other and cooperate with each other in the organization of economic activity (Boddewyn, 1988). In other words, firms constantly function as both economic and political actors while government is not exogenous to the economy.

Political economists have long argued that the interaction between businesses and governments is a complex, dynamic, and interdependent process in which governments create the rules by which businesses must abide, while businesses make efforts to shape governmental policies (Boddewyn, 1988; Kofele-Kale, 1992; Moran, 1985).

As emerging economies are more intensively engaged in global competition, enterprises in these economies become increasingly important to governments when these enterprises have a heightened role in accommodating their governments' social and economic concerns, such as steering economic growth, advancing technological infrastructure, and enhancing national competitiveness (Luo, 2001; Ramamurti, 2001; Zhang, 2003). Moreover EMNCs are deemed to benefit from these institutional supports through reduced political risk and transaction costs along with improved financial leverages.

The political economy theory further suggests that, as businesses and governments become more interdependent, governments will be able to play a more significant role in shaping business activities and behaviors (Boddewyn, 1988; Moran, 1985). In order to foster closeness between national economies and world economies through the flow of resources, goods, services, people, technologies, information, and capital, emerging economy governments promote OFDI through which EMEs integrate their resources, products and knowledge on a global, rather than domestic, basis. When the home country's degree of openness and internationalization is higher, EMEs can benefit more from efficient flows of production factors within their globally coordinated networks. Thus, they can better arrange global value chains through vertical or horizontal integration.

Sun, Mellahi and Thun (2010) suggest an important reason for caution: the value of political networks changes over time, and the embedded relationships with political institutions that were valuable at one stage of competition can become a handicap at a later stage. This is particularly crucial in emerging economies because change is their defining feature. The study examines the dynamic value of political embeddedness for the major MNEs that entered the market from the early 1980s to the mid-2000s. Drawing upon the experiences of the automo-

ble MNEs during liberalization, we further explore the non-linear relation between MNE political embeddedness in host-country markets and their long-run competitive positions in emerging economies.

Recently, however, another stream of literature has reminded us of the potential dark side of political embeddedness in emerging economies (Fisman, 2001; Henisz & Delios, 2004; Leuz & Oberholzer-Gee, 2006; Siegel, 2007). It shows that whereas politically connected firms initially outperform their peers, the value of connections with political actors may depreciate rapidly or even become negative after unexpected political shocks.

A number of scholars (Burt, 1997; Gargiulo & Benassi, 2000; Uzzi, 1997) have cautioned that, in the long term, deeply embedded firms may get trapped in their own web of ties, which may limit their choices and constrain their ability to take actions. This poses what Uzzi (1997) called “a paradox of embeddedness”, where tight coupling in networks may lock firms into networks not well suited to new business landscapes, and restrict firms’ ability to adapt to the changing business environment.

Institutional-based view

The institutional dimension of political embeddedness concerns the accommodation of political and social needs from the state (Luo, 2001), so that firms receive critical resources in exchange for their support of the political institutions’ strategic objectives. In the case of MNEs, political institution embeddedness may be reflected by the willingness and ability of an MNE to respond to the strategic and social needs of host-country political institutions (Luo et al, 2010).

Klein et al (1978) argue that the side who wins in negotiation should have more outside options. If the outside options of one side are very limited and restricted by the other side there will be greater power asymmetry (Abuja and Yayavarem, 2011).

previous research says that in more democratic regimes the MNC’s property rights are more secure because pluralistic government can’t change the rules very fast (Blanton and Blanton, 2007; Feng, 2001). However there is contrary opinion stating that MNC’s property rights can be more protected and safer under repressive regimes because a ruler can change the legislation in favour of MNC without bargaining with opposition (Durham, 1999; London and Ross, 1995).

Henisz and Zelner (2004) argue that when the government is a source of costs MNC tends to minimize these cost by mean of lobbying and other mechanisms influencing the policy. Thus political embeddedness can serve as a critical bridge between institutional outsiders, such as MNEs, and insiders within political institutions.

The institutional environment is defined by Davis and North (1971) as a “set of fundamental political, social and legal ground rules that establishes the basis for production, exchange and distribution” (p. 6). Institutional arrangements are defined as the ones created between economic units that govern the ways under which these units cooperate or compete” (Davis and North, 1971: 7).

In an environment where formal institutions are weak informal institutions such as those embodied in the interpersonal ties produced by managers may play a crucial role in facilitating economic exchanges (Peng & Heath, 1996).

Sun, Mellahi and Thun (2010) argue that “the value of political networks changes over time, and the embedded relationships with political institutions that were valuable at one stage of competition can become a handicap at a later stage”. Change in emerging economies is their defining feature.

Some scholars (Bucheli and Kim, 2015) emphasize that political integration depends not only on host country characteristics but also home country characteristics and the political and economic relationship between host and home country. The MNC will be more likely define its property rights if home country has significant political, economic and military power in the world scene (Tarzi, 1991).

Moreover Leftwich (2006) underlines the role of international institutions claiming that institutions are never neutral, but are designed to distribute benefits to some while disadvantaging others.

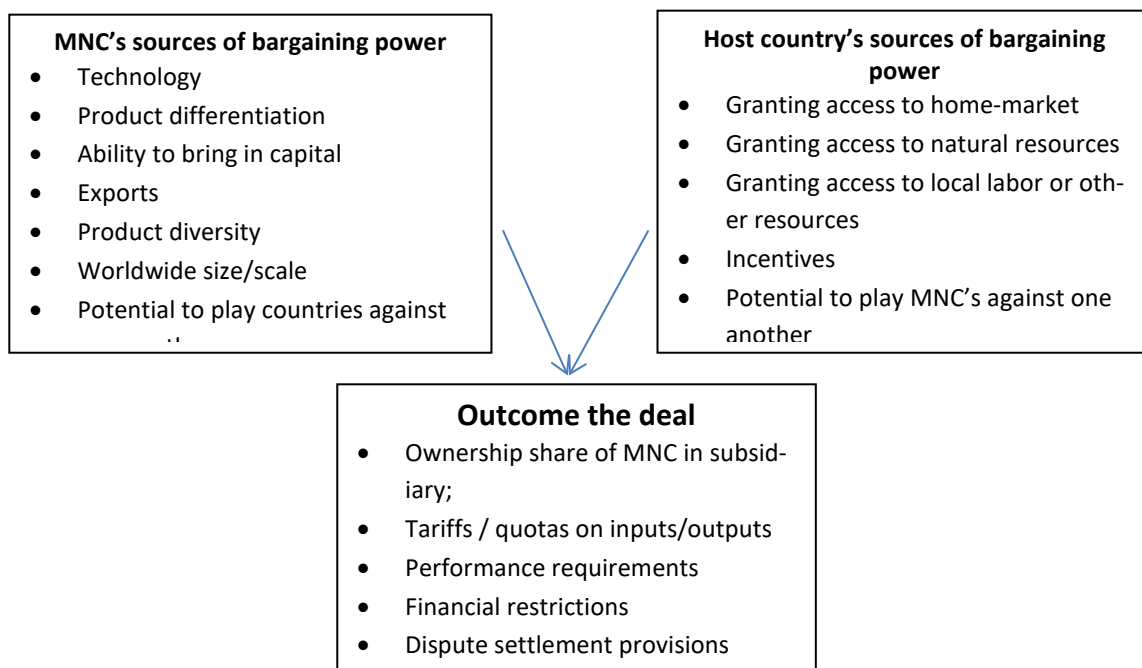
2.1. The obsolescing bargain (OB) model function

The obsolescing bargain (OB) model explains the changing nature of bargaining relations between an MNE and host country as a function of goals, resources and constraints (Eden & Molot, 2002). The first assumption is that both parties voluntarily bargain and achieve absolute gains. However, the outcomes should favor the party with the stronger resources, higher issue salience, weaker constraints and greater coercive power (Vernon, 1971, 1977; Kobrin, 1987; Brewer, 1992; Grosse and Bechman, 1992; Grosse, 1996; Vachani, 1995).

The obsolescing bargain presumes that the initial bargaining for investment favors the MNC, but the leverage shifts to the host government over time as the investment in fixed infrastructure can be held hostage. As a result host government intent to arbitrarily alter the original bargains by imposing higher taxes and nationalizing industrial and natural resource subsidiaries.

In Vivoda (2011) model there is transformation from potential to relevant power. The author claims that there is an abundance of obstacles to the full utilization and the relationship between potential relative bargaining power and actual relative bargaining power is moderated by the international and host country contexts. The literature on linkage/nesting recognizes that each bargain is embedded in a context constituted of other bargains. Vivoda (2011) identified following factors affecting relative bargaining power of a host country: firm-specific, industry-specific and institutional factors in the international context and same factors plus host-state specific (non-industry) factors in the host-country context.

Figure 1. The bargaining model (Fagre & Wells, 1982)



Relative goals

In negotiation process than more similar the goals, the less difficult the bargaining process and the less the need for the host government to coerce the MNC into activities which are beneficial only for host country.

The MNC goals might be conceptualized on two levels – economic and institutional. Firstly, MNC aims to maximize its long-run after-tax global returns (Boddeawyn and Brewer, 1994) using its market power, legitimacy and efficiency. These motives market and efficiency-seeking are well studied in international business literature (Dunning, 1993, Eden and Molot, 2002). The MNE's legitimacy in host country is studied in frame of liability of foreignness research (Hymer, 1960, Kostova and Zaheer, 1999).

The host government has its own economic, social and political goals. There are two views on MNC-Host country's goals relations as conflictual (Vernon, 1971; Moran, 1985) and as partnership (Dunning, 1993; Luo, 2001).

Unique Resources

Vivoda (2011) claims that in order to possess significant bargaining power MNC should have an idiosyncratic firm resources and capabilities that are "valuable, rare, imperfectly imitable and lack strategically equivalent substitutes" (Barney, 1991). The bargaining power of both host government and MNC depends on their ability to withhold resources and capabilities such as capital, technologies, raw materials, managerial skills etc that the other party desires. Than less imitable or less available firm-specific assets than stronger an MNC's bargaining power.

Firm level

MNC that possess more sophisticated configuration of technical, operational and managerial systems have greater potential bargaining power than host country (Vivoda, 2011; Poynter, 1982). Literature also says that financial resources and capital of MNC increase its bargaining power vis-à-vis a host government (Bennett and Sharpe, 1985; Fagre and Wells, 1982; Lecraw, 1984).

The overall size of MNC is another significant factor influencing its potential bargaining power. Larger MNCs are more likely to have the financial, managerial, and technological resources to invest in majority-owned subsidiaries and also to undertake difficult negotiations with host government.

Firm's reputation and legitimacy in the host country can be an important source of an MNC's bargaining power (Moon and Lado, 2000). Such intangible assets as corporate reputation, image and brand name have been recognized as important resources by strategy scholars (Fombrun and Shanley, 1990).

Before entry to the host country MNC is an outsider and it has to gain legitimacy in the new market. Legitimacy might be achieved when MNC becomes isomorphic with the institutional environment of the host country (Eden et al, 2005). This process requires some time and commitment and can be enhanced by the development of partnership with local firms and institutions (Vivoda, 2011). If the MNC demonstrates good social performance it facilitate the gain of perception the MNC as domestic (Boddeawyn and Brewer, 1994).

A host-country level

A host country's bargaining power is constrained by the international environment and international interdependence constraints a host country's autonomy (Kobrin, 1987; Tarzi, 1991). Eden (1992) argues that web of international agreements creates an investment regime that offers more protection and bargaining power to MNCs. Moreover the membership in international institutions can limit the bargaining power of host government (Doh and Ramamurti, 2003; Eden and Molot, 2002; Henisz and Zelner, 2005).

Thus Ramamurti (2001) claims that government-to-government bargains establishes framing rules of the game which might constrain MNC-host country bargaining in specific areas. Vivoda (2011) argues that it is unlikely that the host government will engage in direct or indirect expropriation of MNC's assets if they are aware that consequence will be an inter-

national arbitration (Joffe et al, 2009). Nevertheless international institutional environment can be a resource for host government as well. For example membership in OPEC can enhance host country's bargaining potential power relative to MNC.

Host country's bargaining power rises from its ability to offer access to country-specific advantages such as skilled labor, natural resources, advanced technologies etc. Those countries that possess small reserves are likely to obtain a smaller dividend from contracts with foreign investors (Shelley, 2005). Thus Vivoda (2011) claims that countries with higher reserve/production (R/P) ratios are likely to have more bargaining power than countries with lower R/P ratios. Moreover the profitability of production also influences the bargaining power of MNC and host country.

Tarzi (1991) argues that MNCs do not commit large investments in countries with high level of political and economic risk unless they are likely to get extremely generous terms of investment. The level of political and economic risk is also quite important factor influencing host country's bargaining power.

Gross (1989) emphasizes that when dealing between the government and MNC is broadly publicized in the media the government tends to have a bargaining advantage since MNC is often portrayed as foreign interloper and host country may utilize public opinion to incline negotiations towards more favorable for the country outcomes.

Industry level

The host country bargaining power is greater in highly competitive industries where two or more MNCs are able to compete. Studying the dynamic of oil sector MNC-host country relationship Vivoda (2011) argues that during periods of low oil prices MNC is often welcomed by host government lacking investments. However during the period of higher oil prices host government does not experience capital difficulties and debt problems, thus it may not require high levels of FDI and possess higher potential bargaining power vis-à-vis MNC.

Other stakeholders in the bargaining

Scholars argue that MNC originating from more powerful countries in terms of politics and economics possess more bargaining power than MNCs originating from weaker countries (Eden and Molot, 2002; Tarzi, 1991). Vivoda (2011) states that the question of whether this potential power is transferable into actual bargaining power is context dependent.

When institutional distance is high host country is likely to see an MNC in stereotypical terms, provoking liability of foreignness and making the bargain is hardly reached (Eden et al, 2005). Some scholars have found that non-governmental organizations (NGOs) play an important role in MNC-host government relationship (Doh and Teegen, 2002). NGOs often affect the bargaining process by framing public discussions and debates on an issue (Nebus and Rufin, 2010).

When the bargaining context changes due to technological shifts or to business cycles, the position of each side changes as well (Gross, 1996). Re-bargaining between two parties may take place if there are some changes in the context moderating the relative bargaining power and in the resources' possession by two parties. In bargaining situations the value of each party's resources is measured not by its significance for the owner but by the other party's desire to get those resources (Eden and Molot, 2002). From the side of MNC its potential and relative bargaining power depends on its sustained or temporary competitive advantages (Moon and Lado, 2000; Schoemaker, 1990). Luo (2001) states that resource complementarity can influence the outcomes of bargain significantly. Than stronger this complementarity that more efforts each party puts to maintain MNE-state relations.

Table 1. Sources of bargaining power / resource (adapted from Poynter, 1982; Fagre and Wells, 1982; Lecraw, 1984);)

Firm-level	Industry-level	Country-level
Size (parent firm and subsidiary); technology intensity; advertising intensity; intra-MNC sourcing; export intensity; product diversity; employment policy; political behavior; ownership.	Industry competition; Strategic importance of industry; prices;	Appropriability regime; level of economic development; cultural distance; institutional distance

Relative constraints

In the OB model besides resources there are constraint that can impede MNE-state relations. These constraints might be political, institutional, economic and so on. From host country side political constraints are weak or unstable government, lack of government legitimacy; institutional are international agreements of membership in international organizations; economic - balance of payments etc. From the MNE side political constraints are previous commitment to the host or home country; institutional constraints - membership in international organizations; economic - restrictions imposed on the subsidiary.

Taking into consideration the existence of economic, political and institutional constraints one can argue that actual bargaining power will differ from potential power.

Thus the bargaining power of both sides depends on several factors: the resources controlled by one party and demanded by the others, the similarity of interests, the constraints on each party, and the ability of one of the party to influence the behavior of the other party through political or economic coercion.

2.3. The obsolescing bargain (OB) model extension in the literature

The original OB model was born as an attempt to explain a widespread expropriation and nationalization of MNC subsidiaries located in developing countries in the 1970s. Since that time Vernon (1977) obsolescing bargain model has been occupying important position in explaining MNC-host country bargaining dynamic in the international political economy.

However in the end of 1990 and the beginning of 2000 the OB model was declared as outlived its usefulness (Eden and Molot, 2001) as relationship between MNC and state was not considered as conflicting but rather as collaborating. Developing countries opened their markets and came to deregulation. Market-enabling regimes were recognized the same important governance tool as regulatory regimes. As a result various extensions and improvements of the OB model have appeared in the literature including the political bargaining model which broaden the scope of OB model sides to different stakeholders such as NGOs or international institutions (Eden et al, 2005) and two-tiers model developed by Ramamurti (2001) who underlines the role of home government in the bargaining process. Moreover Eden et al (2005) suggested that since MNC-host country relations have been recognized as cooperative little formal bargaining occurs between these two actors.

Indeed in last decades dyadic relationship between MNC and state has evolved into multiparty bargaining among NGOs, host government, home governments, supranational and international institutions and MNCs (Vivoda, 2011).

Nebus and Rufin (2010) claim that while canonical bargaining power model tends to explain the dyadic relationship between the nation state and MNE subsidiary the extended model needs to explain bargaining over the different complex issues arising among nation states and MNEs nowadays such as government interventions in cross-border acquisitions; privatizations disputes and so on. The authors argue that the number and types of actors and

their relationships result in another level of complexity for the prediction of outcomes of any bargaining process.

Moon and Lado (2000) argue that “the empirical findings of the sources of MNC bargaining power are often inconsistent and the theoretical views on this topic remain divergent” (p. 86). The authors (Moon and Lado, 2000) develop the model within resource-based view. They suggest that firm-specific resources directly determine MNC-Host government bargaining power relationship and that country and industry-level factors might serve as moderators of this relationship.

Furthermore the existing bargaining literature has not explicitly addressed the link between MNC bargaining power and home government. Although the extant literature has addressed how an MNC bargaining power is associated with such outcomes as ownership level, it has not sufficiently explained how the bargaining power enables firm to generate economic rents and achieve its goals within a particular host country (Moon and Lado, 2000).

Eden and Molot (200) assume that existing host-home country relations can create governance inseparability that actually constrains the independent actions of host country governments. The bargaining process than is getting more complex involving two levels. Thus home government can shift the bargaining power in MNE’s favor depending on importance of this country for host country.

Vachani (19995) has identified three forces moderating bargaining success: political climate in the host country; host’s perception of value associated with the multinational’s operations and multinational’s ownership preferences. The relationship between the host and home countries can affect all these forces determining the dynamic success. For example the political climate is more accepting for MNC from a home country culturally proximate to the host country or possessing stronger historical ties (Hofstede, 1980). On the other hand such strong ties might result in a overestimated perception of value attached to MNC operations by the host government. Same is applicable to multinational ownership preferences. The familiarity (cultural and historical) of host country leads to higher commitment to the environment.

Besides home country domestic and international institutions might constrain both parties’ strategies either through previous contractual commitments or changes in bargaining power (Argyres and Liebeskind, 1999).

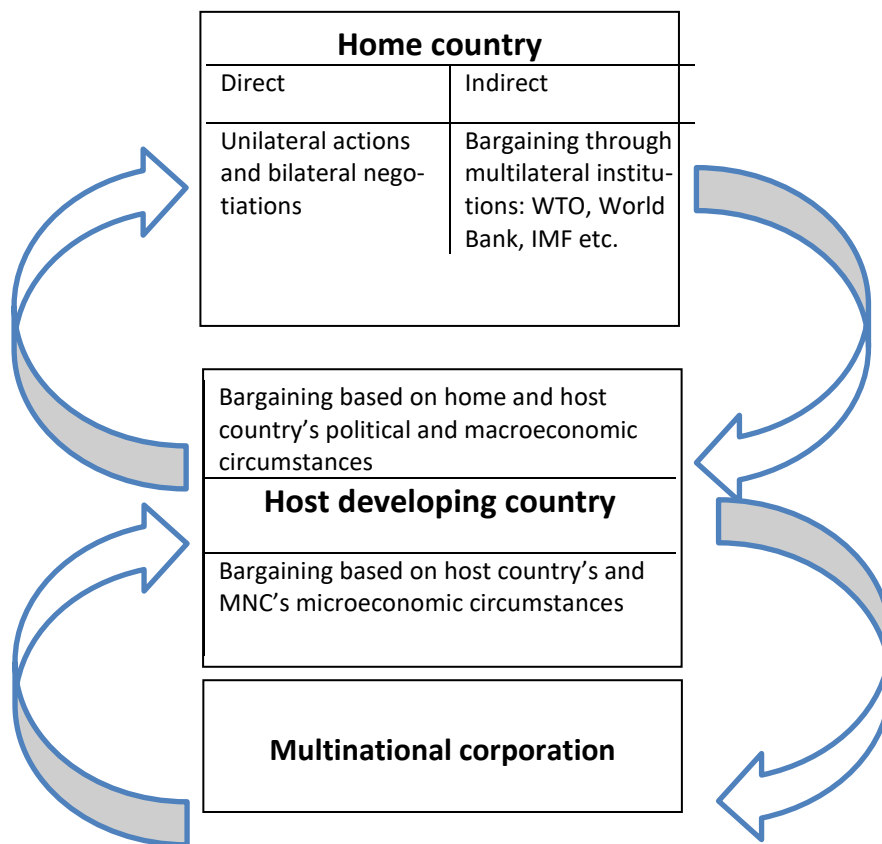
Ramamurti (2001) claims that MNC-host country relations can no longer be viewed as a static, two-party negotiation, but rather must be viewed as a dynamic, two-tier, multi-party bargaining process. The author says that first tier bargaining takes place between host (developing) and home (developed) countries and can occur either bilaterally or through institutions like IMF, the World Bank or WTO. This so called macro-level anticipates the micro-level or second tier bargaining between the MNE and host government.

Ramamurti (2001) argues that tier-2 (MNE-host government) is driven by micro variables such as MNC’s technology base or size of host country market whereas tier-1 (host-home government) is driven by macroeconomic and political variables. And here such factors as bilateral trade, the magnitude of aid, historical and cultural ties, geopolitics and so on are important (Bayard and Elliott, 1994; Vandeveld, 1993).

Li et al (2013) argue that revisited by Ramamurti model cannot fully explain the relationship between Chinese MNCs and host-government by two reasons. First, Chinese government often go beyond establishing investment agreements as they tend to include the provision of low-interest loans to support infrastructure development for example. Thus, Chinese government plays more important role that it is set in the two-tier model. Second reason is that Chinese MNCs are often state-owned what means that the level of MNC-home-government relationship is also involved. Analyzing cases of Chinese MNCs investments in Africa authors have found that instead of engaging in a two-tier bargaining process the home government (China) and MNC engage in modified one-tier bargaining process with the host country. Chinese government often represents the collective interests of Chinese resource MNCs as private as state-owned and therefore the second-tier negotiation between host gov-

ernment and MNC are not needed. However this style of negotiation is relevant specifically for high political risk and weak economic developed countries. Chinese government in this case helps its MNEs to handle risky and unstable environment.

Figure 2. Revisited model, Two-tiers (Ramamurti, 2001)



This paper contributes to the development of bargaining power theory in the context of emerging market MNC (EMNC) - emerging host country (EHC) relationship. It builds upon previous theory and integrates it into the theoretical model, the dynamic of which is discussed further.

3. Research settings

Host country political environment

Most of the scholars agree that Central East Europe (CEE) region represents a very specific political and cultural context, distinguishing these countries from other emerging economies. Since 1990s institutional setting of this context have been gradually changing. Many of the formal rules of the game were not defined what resulted in tremendous uncertainty, whereas informal institutions were substituting for the lack of formal institutions (Lavigne, 1996; Peng, 2000, 2003). In particular where rules governing markets are vaguely defined firms have to rely more on relationships and business networks (Peng and Heath, 1996)

Montenegro undergoes through significant changes in 21 century. Being part of Serbia and Montenegro state since 2002, Montenegro initiated the process of detachment from Serbia and in 2006 the independence of Montenegro was declared. Since that time the new independent state shapes it course on European Union and NATO. In 2008 Montenegro recognizes Kosovo as independent state (Russia does not) and in the same year it applies for EU membership. In 2012 European Commission published its report on Montenegro's progress,

where positively estimated the country's effort to become a member of EU. In 2014 Montenegro officially becomes a candidate to membership in European Union. In same year Montenegro implies sanctions against Russia. The country becomes a member of NATO since 2016.

Case description

Construction of an aluminium smelter in Montenegro was first proposed in the 1960s, when significant quantities of high quality bauxite ore were discovered near Nikšić. The construction of KAP began in 1969, while production of aluminium began in 1971. The KAP produces its own alumina, extracting it out of the bauxite shipped from the Nikšić bauxite mine. The factory also has its own production of pre-baked anodes. The smelter has an installed capacity of 120,000 tons of liquid aluminum per year. KAP is connected by railway with bauxite mines near Nikšić and the Port of Bar, and the Podgorica Airport is only a few kilometers away. The plant had its most difficult times during UN-imposed economic sanctions on FR Yugoslavia. During the sanctions, the production was reduced to 13% of capacity. In the period 1997–1999 KAP participated with 8.2–6.7% in GDP of Montenegro, and 65–67% in export for the same period.

On December 1, 2005, KAP was privatized. 65.4394% shares were sold to Salomon Enterprises Limited (later renamed CEAC – Central European Aluminum Company), a company based in Cyprus, for €48.5 million and obligations to invest over €50 million in its modernization and environmental upgrade. CEAC is fully owned by En+ Group, and even the negotiations on the sale were conducted directly between Oleg Deripaska and the then Prime Minister of Montenegro, Milo Đukanović.

In May 2006, CEAC claimed that "various breaches of representations and warranties" of the deal were discovered by accountants Deloitte, including KAP having "hidden" debts and obligations towards the state totaling tens of millions of euros. In addition, the government-certified 2004 accounts were deemed inaccurate when it came to working capital and other assets. "It became evident to CEAC that KAP's initial financial situation had been misrepresented," the company claimed.

During 2008, the KAP has struggled to survive the impact of ongoing economic crisis. The low trading price of aluminium, and expensive production inputs, primarily the electricity and alumina production, have resulted in KAP generating daily losses of up to €200,000. The company has been unable to survive ever since without the constant Government subsidies, primarily through writing off the debt for electricity.

In June 2009, the financial situation at the company had not improved, leaving KAP in danger of being closed by CEAC. The government, not wanting to see its largest company being shut down, agreed to guarantee a €45 million loan. In exchange, the government would receive half of the stakes owned by CEAC, leaving CEAC with a stake of 29.3%.

As relationship between Russian owners and management and the Government of Montenegro became increasingly sour, there was an ongoing debate within the country about the fate of the company. The size of the company, number of employees, and its impact on the Montenegrin trade balance imply that efforts will be made by the Government to keep the company alive, while dissatisfaction with Russian owners grew.

In June 2012 the German creditors used Montenegrin government guarantees and forced it to pay outstanding debts to them. In July 2013, KAP officially went bankrupt, having up to that point accumulated a debt of 383 million euros, while the company itself is worth 180 million euros. By the end of 2013, KAP was offered for sale again, and in June 2014 KAP was sold for 28 million Euros to Montenegrin company Uniprom.

By June 2016 the company has not yet fully recovered production, with former and current employees frequently protesting and blocking the company due to unpaid wages. Ever since the company went into bankruptcy, former Russian owners and managers have started many lawsuits in front of Montenegrin and European courts, which haven't been fully resolved until this day.

4. Research methodology

Vaara and Tienari (2004) argue that in order to conduct more critical analysis scholars should consider making use of methods that have proved to be useful tools in humanistic and social studies more generally. Discourse analysis (DA) is a cross-disciplinary methodology that has been linked to the analysis of text and talk in almost all of the humanities and social sciences during the last few decades. DA is also connected to postmodern and poststructuralist philosophy.

Four essential characteristics of CDA according to Wodak and Meyer, 2002: 1) CDA aims at revealing taken-for-granted assumptions in social, societal, political and economic spheres and at examining power relationships between various kind of actors; 2) the researcher is not a “neutral observer”, but his/her role is to acknowledge a particular kind of (critical) perspective; 3) contextually is a crucial issue in CDA, thus the ability to place specific texts in their context is essential. The historical dimension is especially important here. One cannot understand specific texts and discourses without considering the historical processes that have led to the current situation. 4) intertextuality - the linkages between different discourses and texts. One cannot understand fully specific texts or discursive acts without linking them with other texts and discursive acts.

Basically any kinds of textual material are suitable for CDA such as media texts, archival material, interview transcription etc. Therefore we use all the materials available including interviews with representatives from both sides. As far as the insider/outsider role is concerned it is very clear that a native of a particular country is in a privileged position in terms of being able to place specific contexts in their historical and intertextual contexts (Vaara and Tienari, 2004). As our team consists of natives of both countries possessing language knowledge we believe that we can enrich the discourse analysis by comparing discourses in different countries.

Taking into consideration the ambiguous nature of investigated case and the specificity of political, economic, and institutional environment we claim that qualitative method should be applied and critical discourse analysis is particularly suitable. We aim to follow Kahl and Grodal (2016) multilevel discourse analysis methodology

1) Historical reconstruction. This step aims to identify texts and to develop a contextual and temporal understanding of their sequence (Kipping, Wadhani, and Bucheli, 2014). The questions to answer at this stage: when the text was produced? Who created it? Where it was created and how it relates to other texts. We create timeline of the entire process from the initial negotiation until lawsuits with lost KAP by Rusal. We identify milestones of this long dramatic way and collect all the texts related to these events. After that we pick up the most influential texts in terms of creating discourses in both cultural and political contexts – Russia and Montenegro, in both languages.

2) Intratextual data coding. The aim of this stage is to look through different text levels such as words, clauses, sentences and paragraphs and to code them according to background theory. Different types of sentences (such as declarative, imperative, or interrogative) might be also coded. Leading by OB model theory we have chosen three important issues to consider which are resources, goals and constraints. Following abductive approach we also intent to come up with additional codes and constructs in the analysis.

3) Intertextual data coding. Interpretation of the texts also depends on its link to other texts within same discourses. Thus at this stage not only linguistic features are coded but also references to other texts. The authors underline three types of these links: direct ties; conceptual ties and shared location. The character of refereeing to another text is also important: whether it is affirming or challenging. We are looking at references in texts to other chosen texts as well as authors and concepts used.

4) Contextual data coding. As people create texts within a specific time and place. Broader contextual themes influence what is actually said in text and how it may be interpret-

ed (Khair and Wadhvani, 2010). At this stage it is required to identify texts produced in other contexts that are related to focal discourse. We anticipate such contextual themes as Russia – Montenegro relationship, Montenegro – EU relationship, political change in Montenegro.

5) Iteration and theory development. At this stage the researcher should cycle back to the research questions and to track the evolving understanding of the domain area to the theoretical question (Eisenhardt, 1989). Particularly important those findings which are inconsistent with ideas presented in the existing literature.

4.1. Data analysis

We collected a wide range of texts derived from Russian and Montenegro's main newspapers. At the first stage we collected all the texts mentioning Deripaska – KAP or Deripaska – Montenegro themes. Scanning of these texts allows us to reveal several important issues that form the discourses around the case. These issues are host-home (Montenegro – Russia) country relations and host-country – international institutions (EU/NATO) relations. It required additional texts collection. The statistic and newspaper description is presented in the Table 2. All the texts were analyzed in its original language either Russian or Serbian.

As we look retrospectively on the case we track 7 years period of time (2005-2012) for Rusal – KAP discourse and 10 years period of time (2004-2014) for other two discourses as we presume that it is important to track inter-countries and international discourses some time before and after the major event.

We used *Advego* software for semantic analysis of all the texts representing Russia – Montenegro and Montenegro – International Institutions discourses. The content analysis of KAP-Deripaska texts we did manually in native languages.

Table 2. Major Newspaper in Russian and Montenegro

Newspaper	Ownership	Political alignment
“Dnevne novine” (Me)	Owned by Greek investors, but are considered close to the government	pro-government, pro-DPS
“Pobjeda”(Me)	it is the only daily newspaper in Montenegro that is state-owned (85,9%)	pro-government, pro-DPS
“Vijesti” (Me)	The ownership is currently split between Montenegrin partners (59%), Austrian Styria Medien AG (25%), and American fund MDLF started by George Soros (16%).	anti-government they are also pro-western, pro-EU, pro-NATO and were proponents of Montenegrin independence,
“Dan”(Me)	Jumedia Mont d.o.o	anti-government, but also considered pro-Serbian, pro-Russian, anti-western and anti-EU/NATO
Kommersant (Ru)	Alisher Usmanov (Russian business magnat)	It is a leading liberal business broadsheet
Vedomosti (Ru)	Before 2015 It was previously a joint venture between Dow Jones, the Financial Times and the publishers of The Moscow Times	Independent business newspaper
Lenta.ru (Ru)	Rambler Media Group	One of the largest online newspaper in Russia, before 2014 considered as independent oppositional media.

4.2. Discussion of results

Analyzing media discourse Russian MNE – Host government (Montenegro) we can distinguish three important milestones: 2005 – the acquisition of Montenegro's enterprise by Russian MNC owned by Deripaska; 2009 – the financial crisis and intense negotiation between Montenegro and MNE; 2012 – start of bankruptcy and KAP nationalization.

Following abductive approach we analyze media discourse relating our findings to the literature and returning back to analysis. Bargaining power theory suggests that resources have crucial meaning for the bargaining. Thus both sides' resources were our starting point for the analysis.

Resources MNC: Rusal as Russian MNE possess strong political resources such as personal ties with the president and government support, it has access to natural reserves of aluminum, bauxites etc. Moreover Rusal has an experience operating in emerging markets in the risky and uncertain environment. It is one of the largest aluminum companies in the world.

Resources host-country: Montenegro in 2005 still being part of Serbia and Montenegro is developing country, located in Europe with strong prospects to become part of European Union. It has national reserves of bauxite and aluminum smelter KAP provides almost half of the Montenegro's export. These resources remain unchanged for both sides.

Media discourse around resources: Although both party's resources seem desirable for each other the deal was not extremely beneficial neither for Rusal nor for Montenegro. "Rusal, Sual –holding (Russia), Alcoa (the USA), Alcan (Canada), Norsk Gydro (Norway), Vedanta Resources (India) and Glencore (Switzerland) participated in the initial tender of Montenegro's government. However by the end of the process the only company remained was Rusal, all others dismissed their application as the terms of the deal were not favorable. But even the only applicant proposed less price that the state of Montenegro expected – €48,5 mln instead of €185 mln". (Kommersant, 07.04.2005) "Privatization of KAP was from the very start under heavy criticism. In the beginning, only because of the process which, after coming to a dead end when it went through the legal means, was finished after the direct meeting of the then Prime Minister Djukanovic and the Russian investor Oleg Deripaska, who came to that meeting, which was held in one of Podgorica's cafes, in a private jet that was worth more than the Government asked for its most important company" (Radio Slobodna Evropa, 01.03.2012)

Tarzi (1991) argues that MNCs do not commit large investments in countries with high level of political and economic risk unless they are likely to get extremely generous terms of investment. As we can observe Rusal does not get extremely generous benefits moreover this asset for Rusal really profitable: electricity price is high, KAP has a big dept, it requires serious modernization and the volume of production is "drop in the sea" for Rusal. Not surprisingly that other MNCs cancel their participation in tender. However Rusal accomplished the deal. The model of Rusal-Montenegro bargain is introduced in the figure N. Therefore we assume that there are other important factors affecting MNC's decision to invest in foreign countries and host-country decision to agree MNC's terms of bargaining.

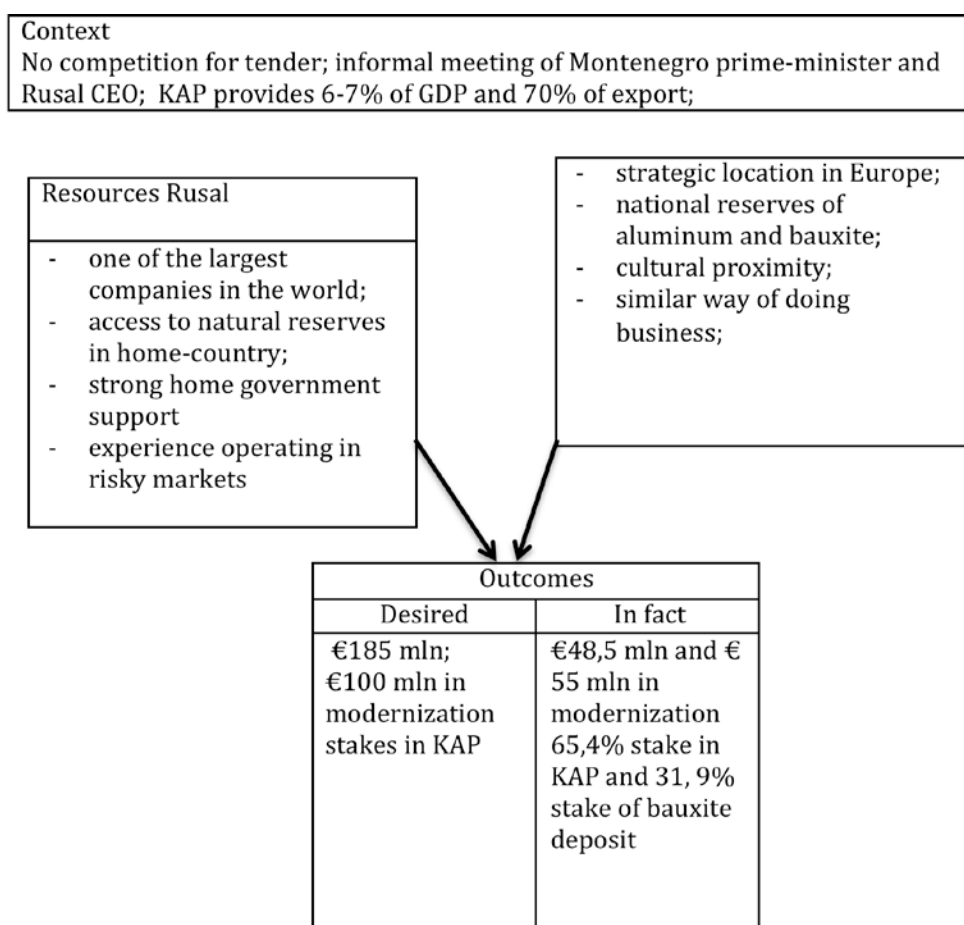
Recent literature identified different stakeholders and factors that may influence MNC-host-country bargaining such as home-country, international institutions, supra-national institutions, NGOs, relative constraints and relative stakes. Some of those factors may be applied to the case of Rusal-Montenegro bargaining.

Thus Vivoda (2011) argue that an MNC's home country may affect its bargaining power in a host country due to historical, colonial, cultural and political factors. If an MNC originates from the country with strong political ties and cultural proximate to host country it can be more tolerant to political climate in host country. However such ties might cause a higher perception of value attached to the MNC's investment by both host government and MNC, because there may be a closer fit between company's management approach and local informal rules (Beamish, 1993; Stopford, 1974; Vachani, 1995).

Russia and Balkan countries (in 2005 Montenegro was part of the Serbia and Montenegro) have long historical and cultural relations. Moreover Russia has been one of the main investors to Montenegro, what is frequently cited in both media.

As the number of articles was enormous we did semantic analysis in order to identify dominating semantic kernels in each discourse. “Cultural proximity discourse” (2004-2006): the relationship between two countries on the high level is visible and being part of one country Montenegro is inseparable from Serbia in this discourse. The cultural ties come to forefront especially in regard to religion (the semantic kernel “orthodox” and “Patriarch” are dominating). Another visible semantic kernel is security which says about importance of this issue in the relationship between two countries. In Montenegrin media this first phase has also quite benevolent tone, although there are calls for reconsidering the deal, suspected corruption and lack of transparency.

Figure 2. RUSAL-Montenegro bargaining power



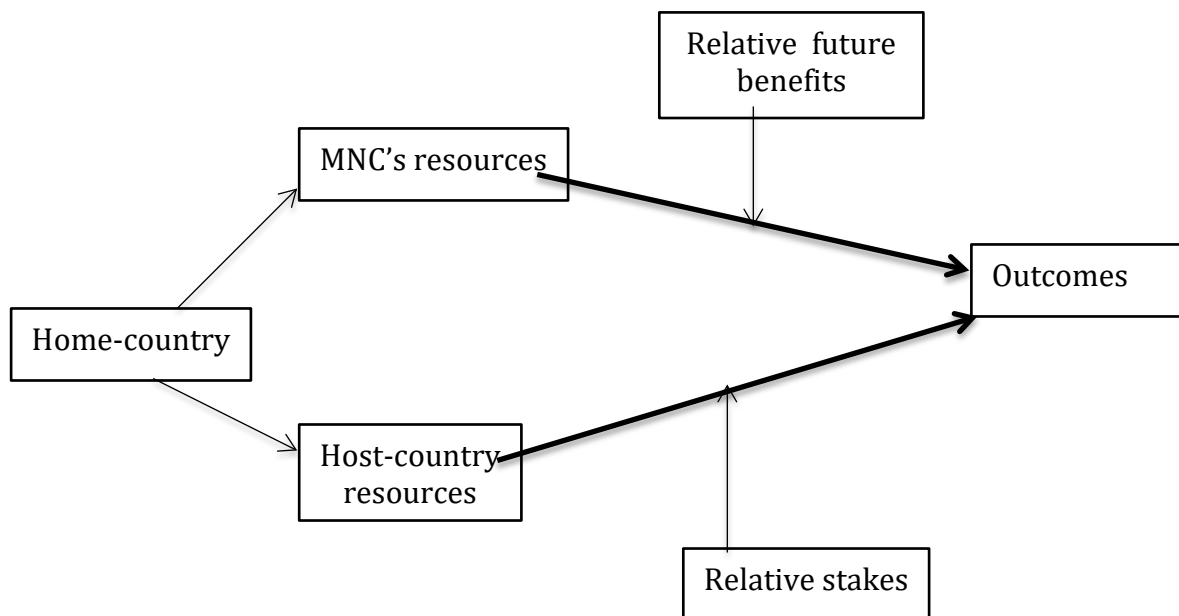
We assume that home-government bargains with both MNC and host-government. But in this situation MNC and host government pursue different strategies. Host-country (Montenegro) accounts first of all relative stakes which didn't get much attention from the scholars. This dimension of MNC-host country bargaining was acknowledged by Gross (1996) who says that the side that has less at stake will have a bargaining advantage over the side that has more at stake. Furthermore Gross (1996) presumes that in a situation in which the government has very much at stake for example a major mining project or an electric power plant such government might be specifically keen on successfully concluding a bargain. Relying on close relationship with Russia Montenegrin government preferred to have “bird on the hand rather than two in bushes”. Besides, the informal constituent of the bargaining was so strong that some background information about the enterprise debt was hidden in the agreement.

“CEAK counts that Montenegrin government selling KAP provided false information concerning company’s finance state. Now Rusal requires compensation of €300 mln which is almost half of the budget of Montenegro” (Vedomosti, 12.09.2012).

While Montenegrin government considers first of all relative stakes Russian MNC expected future benefits of the deal. (quotation). The expected benefits in this case depend on home-host country relationship. And again the degree of informality on the bargain illustrates the degree of trust in good relationships between two countries. The bargain model of first stage bargaining is presented on the figure 3.

Second discourse we defined as “political change, but close economic cooperation discourse” (2006-2011). In 2006 we see change in media discourse of Russia-Montenegro context in Russian media. Serbia, Kosovo, independence and referendum become dominating semantic kernel in the discourse. Moreover in 2006 discourse the USA and Washington come up together with political and relational metaphors. Thus we can claim that political discourse dominates in that time. In 2007 political discourse is going on, but some other dominating semantic words step in such as Putin, Djukanovic, Europe, investments, diplomatic relationships.

Figure 3. The OB model revised. Stage 1.



In 2008-2010 Montenegro is not very present in media discourse of Russian newspaper. However those texts, which exist, suggest following semantic kernel: president, Kremlin, Philip Vuyanovich, Moscow, Podgoritsa, Deripaska, relationships, investments. We conclude that Deriapska’s asset in Montenegro is an issue at the top level and this problem has been discussing between two governments.

Montenegrin media represent a bit different tone of the texts. Second part (2008 – 2012) sees a surge of number articles published, with discourse about the Rusal – KAP takeover getting a more negative connotation. Keywords in this period are again KAP – Rusal, Russia, EU, the West, but now the terms failure, strike, debts, and bank are visible. Russian side is

painted as corrupted, arrogant and unreasonable. During this period the owner of Rusal – Oleg Deripaska is mentioned distinctively more often, along with the and the higher levels of Russian political elite.

Some important events happened at that time namely financial crisis and aluminium prices drop, Kosovo recognition by Montenegro, but not Russia and slight turn of Montenegro towards EU.

Initially the goals of both parties do not contradict each other. Host government requires investments in enterprise's debt, restructuring of the production, modernization and sustainable management. MNC aims to get access to resources and production as well as access to European market and makes the shelter profitable. However over time the goals of both parties have been changing. *"Milorad Katnic, minister of finance, claims that return back the control over KAP is necessary because it allows government to define the policy of KAP"* (Lenta. Ru, 08.10.2009)

For Russian MNC the goal has been changing from "getting profit and access to European market" to "avoid loss and "save face". *"The firm of Oleg Deripaska negotiates with Turkish company Tosyali holding about selling of 29,3 % of shares of Kombinat aluminijuma Podgorica (KAP)"* (Kommersant, 29.08.2012)"

The home government (Russia) did not really change its initial goal – to keep presence and influence in the Balkan region. However with transforming political environment and degradation of relationship with West Russia shifted its priorities to the other regions. *"En+(Rusal) is ready to sell KAP for adequate price as the company's strategy now is focusing on the projects in East Siberia and Asia-Pacific Region"* (Kommersant, 29.08.2012)

The most drastic change has happened with host country's goals and priorities. Firstly the goal of Montenegro's state was to save the smelter, jobs and to attract investments. With political transformation (independence, political power change, orientation to EU and NATO) the goal of the state has changed: instead of saving the smelter the state desired to deserve favor from international institutions that's way it has to get rid of Russia's dependence. *"Official from the opposition party "Democratic front", Nebojša Medojević claims that the government of Montenegro, lead by Prime Minister Milo Djukanovic will now receive "invoice" for his past work. "He will now pay the price for entering dangerous and hazardous game with Great Powers. He was promising to Washington and Brussels that he will lead Montenegro into NATO, that he will raise popular support for entering NATO, and on the other side he spoke the opposite – that he will not enter NATO. This will cost him dearly, it will cost the DPS (Democratic Party of Socialists), and it will unfortunately cost the whole country and its citizens"* (Radio Slobodna Evropa, 12.07.2013.)

There were some constraints as well. Firstly, for host country it was crucial to save the smelter and jobs for many people, as this smelter was one of the major contributors to country's GDP. The smelter required serious investments in its modernization and besides it had big external debt. For Rusal the price did not correspond to the expectation. It was higher than Rusal estimated.

The biggest challenge for both sides but particularly for MNC was financial crisis and aluminum prices drop. With new prices it was difficult to stay profitable under the same terms. This external change influenced a lot the situation and catalyzed the showdown.

The pressure from international institutions was noticeable for host country (Montenegro) first of all, but for MNC and home government as well.

Another important constraint was employee's strikes. The host government faced numerous conflicts with trade unions and community.

The third media discourse from 2012-2014 we call "Triality: Russia – Montenegro – EU" discourse. In 2012 Russian media discourse has changed. Now we observe dominating of Europe, Kremlin, Serbia, European Union, integration semantic kernels. By 2014 in this discourse such semantic kernels as Russia, links, sanctions, against, anti-Russian dominate, representing quite tense relationship between both countries.

Third segment in Montenegrin media is concerned with the aftermath of the failed investment, where media discourse takes increasingly hostile and toxic shape, with keywords such as failed investment, government bailout, bankruptcy, ecological problems, lawsuit, arbitrage and government takeover are used more frequently. Number of articles with negative context that are focusing on Russian side in general and Oleg Deripaska in particular can be observed in this period.

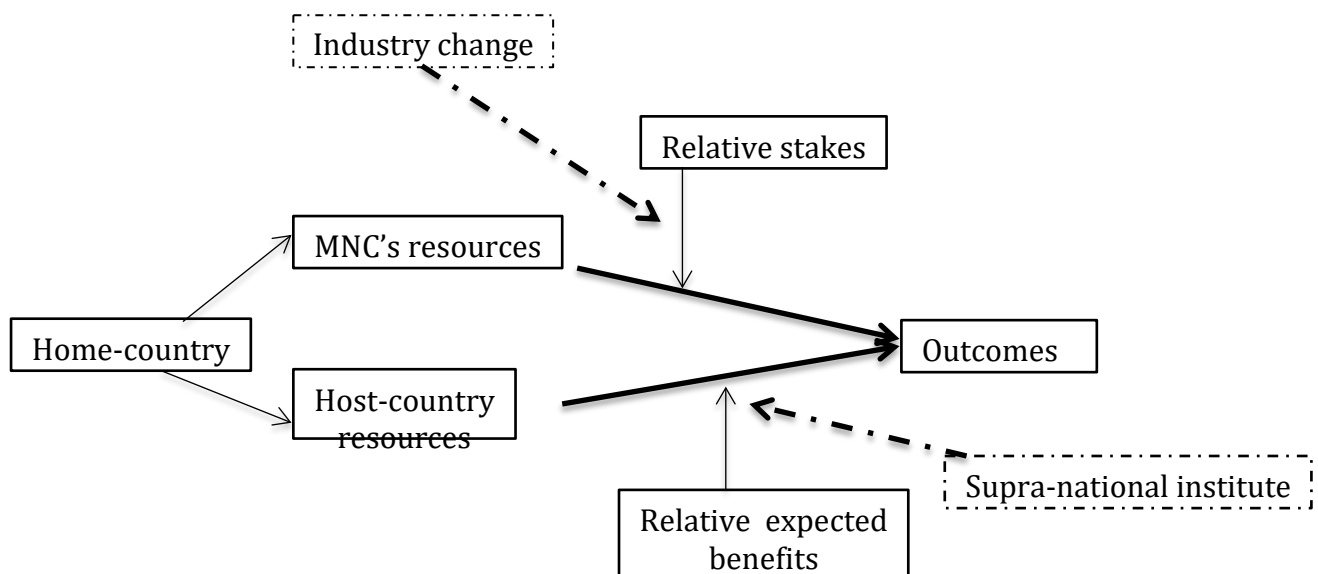
In conclusion, test analysis shows that special care must be taken in dividing underlying political aspect of the investment to political ties that are part of the discourse in sense of what kind of signals about EU/NATO integrations is Montenegro giving away to the West, as well as the another one that is considering Russian – Montenegrin political ties in a more narrow sense.

The OB model revised

In general the semantic analysis of Russia – Montenegro context and relations from the viewpoint of the one specific media outlet that was taken for the test analysis, it can be identified that during the whole observed period Rusal investment is very often put in the Russian-Montenegrin relations, and more importantly Montenegrin-EU relations. KAP – Rusal semantic kernel is usually mentioned along with Montenegro EU Ascension, NATO and influence with. There is also another line of discourse which is concerned less with politics and more with economics, where the keywords are privatization, restructuring, saving KAP and inefficiency are most often found.

Based on these findings we suggest revisited OB model which is presented on Figure 4.

Figure 4. The revisited OB model of MNC – host-country bargaining



At the time when cultural proximity discourse dominates the OB model looks similar to the model introduced by Ramamurti (2001). At the first place home government bargains with host country, but at the same time home government bargains with MNE too. After this phase the second round of negotiations between MNE and host country occurs. The classical model suggests that MNE in this case has more desired resources than host country and host country may come to terms of MNE. It is partly true concerning this case. As the terms of contract did not correspond to first plan and were un lucrative to the host country at the first glance. However MNE agreed the deal accepting the terms which were not lucrative for it either. Apparently two parties of this bargain sacrifice short-run benefits for sake of future benefits or avoiding risks (relative stakes).

On the next stage of host country-MNE bargaining the context and power balance have changed. First of all between host country and MNE as well as MNE's home country such

power as supranational institution - EU has appeared. Montenegro was aiming to join the EU what promises some benefits in the future but it also means that Montenegro should follow certain rules. The privatized enterprise is strategic asset for the country therefore to be independent on the third side (in this case it is Russia) host government has to get back control on the enterprise. Thus host country bargains not only with home country and MNC but also with supranational institution.

Moreover such contextual factor as drastic drop of aluminum prices played important role for MNC recourses and goals. MNC has changed its strategy from pursuing future benefits to avoiding losses (relative stakes).

At the third phase of the bargaining the power balance has changed as MNC and home country resources were counterbalanced by supranational institutions' future benefits and industrial unfavorable terms.

5. Conclusions

In this study by mean of discourse analysis we revisit the obsolescing bargain model applying it to the context which was not explored before: MNC from emerging country-emerging host country relationship. We analyze the case of acquisition by Russian MNC (Rusal) Montenegrin state-owned aluminum smelter KAP.

First of all we examine the case from perspective of both sides resources as they have been recognized as crucial for the bargaining power. Although resources of MNC and host-country were relatively unchangeable the bargaining power balance was dynamic. This fact encouraged investigation of other factors or actors influencing the outcomes of the bargain. First we introduce new concept – relative future benefits which takes in the OB model an important position. We also add to the model relative stake dimension that was introduced in literature before but was not fully explored. Furthermore three important factors shape the bargain of MNC – host-country bargain in studied case namely home-country, industry change and supranational institution.

We identified three major discourses in media and analyzed how the OB model changes depending on the discourses. In “cultural proximity discourse” the home government played significant role bargaining with both MNC and host –country: influencing on relative stakes of the one side (host country) and relative future benefits of the other side (MNC). In “political change, but economic cooperation” and “trilaterality: Russia-Montenegro-EU” discourses besides home-country two other important factors affected the bargain outcomes: supranational institution brought pressure on host-country's relative future benefits whereas industry change (prices fall down) on MNC's relative stake.

We contribute to the bargain power theory by revisiting the obsolescing bargain model. Thus we argue that home country support MNC and complement it with bargaining power in the situation of environmental challenges pressing host-country relative stake at the same time. However as soon as these challenges become too costly for home country it gives place to other forces such as supranational institution and industry change.

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